

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **VILLAGE OF NORTH BRANCH**

Lapeer County, Michigan

## **FINANCIAL STATEMENTS**

February 28, 2007

# VILLAGE OF NORTH BRANCH

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## INDEPENDENT AUDITORS' REPORT

To the Village Council  
Village of North Branch, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of North Branch, Michigan as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of North Branch's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of North Branch as of February 28, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule as identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of North Branch's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Berthiaume & Co.*

April 19, 2007

## ***BASIC FINANCIAL STATEMENTS***

# VILLAGE OF NORTH BRANCH

## STATEMENT OF NET ASSETS

February 28, 2007

	<i>Primary Government</i>			<i>Component</i>
	<i>Governmental</i>	<i>Business-type</i>	<i>Total</i>	<i>Unit</i>
	<i>Activities</i>	<i>Activities</i>		
<b>Assets:</b>				
Cash and cash equivalents	\$ 813,455	\$ 921,839	\$ 1,735,294	\$ 118,809
Receivables	81,964	72,456	154,420	29,849
Restricted cash and cash equivalents	-	29,214	29,214	-
Capital assets:				
Nondepreciable capital assets	66,808	68,783	135,591	17,500
Depreciable capital assets, net	592,279	2,493,108	3,085,387	-
Land held for development - Industrial Park	-	248,330	248,330	-
Total assets	<u>1,554,506</u>	<u>3,833,730</u>	<u>5,388,236</u>	<u>166,158</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	8,621	23,111	31,732	-
Long-term liabilities:				
Due within one year	-	70,000	70,000	-
Due in more than one year	<u>4,117</u>	<u>1,414,592</u>	<u>1,418,709</u>	<u>-</u>
Total liabilities	<u>12,738</u>	<u>1,507,703</u>	<u>1,520,441</u>	<u>-</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	659,087	1,077,299	1,736,386	17,500
Restricted for:				
Debt service	-	29,214	29,214	-
Streets	524,585	-	524,585	-
Unrestricted	<u>358,096</u>	<u>1,219,514</u>	<u>1,577,610</u>	<u>148,658</u>
Total net assets	<u>\$ 1,541,768</u>	<u>\$ 2,326,027</u>	<u>\$ 3,867,795</u>	<u>\$ 166,158</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF NORTH BRANCH

## STATEMENT OF ACTIVITIES

Year Ended February 28, 2007

		Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs	Expenses				
PRIMARY GOVERNMENT:					
Governmental activities:					
General government	\$ 111,563	\$ 32,222	\$ -	\$ 6,913	\$ (72,428)
Public safety	184,909	-	38,845	15,000	(131,064)
Public works	242,613	51,453	83,716	-	(107,444)
Community and economic development	1,119	1,450	-	-	331
Recreation and culture	4,620	100	2,196	-	(2,324)
Total governmental activities	544,824	85,225	124,757	21,913	(312,929)
Business-type activities:					
Sewer	99,757	125,919	50,015	-	76,177
Water	181,555	162,814	-	-	(18,741)
Total business-type activities	281,312	288,733	50,015	-	57,436
Total primary government	\$ 826,136	\$ 373,958	\$ 174,772	\$ 21,913	\$ (255,493)
COMPONENT UNIT:					
Downtown development authority	\$ 143,788	\$ 3,623	\$ -	\$ -	\$ (140,165)

continued

The accompanying notes are an integral part of these financial statements.

	<i>Primary Government</i>			
	<i>Governmental</i>	<i>Business-</i>		<i>Component</i>
	<i>Activities</i>	<i>type</i>	<i>Total</i>	<i>Unit</i>
		<i>Activities</i>		
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ (312,929)	\$ 57,436	\$ (255,493)	\$ (140,165)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	178,935	-	178,935	-
Property taxes, levied for municipal streets	71,456	-	71,456	-
Property taxes, captured by DDA	-	-	-	97,335
Franchise taxes	7,476	-	7,476	-
Grants and contributions not restricted to specific programs	107,232	-	107,232	-
Unrestricted investment earnings	35,121	44,581	79,702	3,640
Special item - Gain on sale of capital asset	4,150	-	4,150	-
Transfers	30,000	(30,000)	-	-
Total general revenues, special items and transfers	434,370	14,581	448,951	100,975
Change in net assets	121,441	72,017	193,458	(39,190)
Net assets, beginning of year	1,420,327	2,254,010	3,674,337	205,348
Net assets, end of year	\$ 1,541,768	\$ 2,326,027	\$ 3,867,795	\$ 166,158



# VILLAGE OF NORTH BRANCH

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## GOVERNMENTAL FUNDS

### BALANCE SHEET

February 28, 2007

	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 266,947	\$ 546,508	\$ 813,455
Accounts receivable	22,336	13,905	36,241
Due from other governmental units	32,433	13,290	45,723
Due from other funds	-	4,207	4,207
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 321,716</u>	<u>\$ 577,910</u>	<u>\$ 899,626</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 4,415	\$ 4,206	\$ 8,621
Due to other funds	-	4,207	4,207
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>4,415</u>	<u>8,413</u>	<u>12,828</u>
<b>Fund balances:</b>			
Unreserved:			
General fund	317,301	-	317,301
Special revenue funds	-	569,497	569,497
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>317,301</u>	<u>569,497</u>	<u>886,798</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 321,716</u>	<u>\$ 577,910</u>	<u>\$ 899,626</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF NORTH BRANCH

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## RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

February 28, 2007

<b>Total fund balances for governmental funds</b>		\$ 886,798
Total net assets reported for governmental activities in the statement of of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	1,045,101	
Less accumulated depreciation	<u>(386,014)</u>	659,087
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Compensated absences payable		<u>(4,117)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 1,541,768</u></u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF NORTH BRANCH

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 28, 2007

	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues:</b>			
Property taxes	\$ 178,935	\$ 71,456	\$ 250,391
Licenses and permits	7,536	-	7,536
State grants	113,057	83,716	196,773
Contributions from other units	54,933	2,000	56,933
Charges for services	56,603	51,453	108,056
Fines and forfeits	870	-	870
Interest and rents	13,347	21,774	35,121
Other revenue	10,987	296	11,283
Total revenues	<u>436,268</u>	<u>230,695</u>	<u>666,963</u>
<b>Expenditures:</b>			
Current			
General government	92,024	-	92,024
Public safety	170,205	-	170,205
Public works	128,229	96,456	224,685
Community and economic development	1,119	-	1,119
Recreation and culture	2,555	944	3,499
Other	31,992	-	31,992
Capital outlay	<u>37,514</u>	<u>95,679</u>	<u>133,193</u>
Total expenditures	<u>463,638</u>	<u>193,079</u>	<u>656,717</u>
Excess (deficiency) of revenues over expenditures	<u>(27,370)</u>	<u>37,616</u>	<u>10,246</u>
<b>Other financing sources (uses):</b>			
Transfers from other funds	30,000	340	30,340
Transfers to other funds	<u>(340)</u>	<u>-</u>	<u>(340)</u>
Total other financing sources (uses)	<u>29,660</u>	<u>340</u>	<u>30,000</u>
Net change in fund balances	2,290	37,956	40,246
Fund balances, beginning of year	<u>315,011</u>	<u>531,541</u>	<u>846,552</u>
Fund balances, end of year	<u>\$ 317,301</u>	<u>\$ 569,497</u>	<u>\$ 886,798</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF NORTH BRANCH

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## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended February 28, 2007

**Net change in fund balances - total governmental funds** \$ 40,246

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	132,993	
Less depreciation expense	(43,832)	
Less loss on disposal of assets	<u>(7,341)</u>	81,820

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	<u>(625)</u>
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**Change in net assets of governmental activities** \$ 121,441

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF NORTH BRANCH

## PROPRIETARY FUNDS

### STATEMENT OF NET ASSETS

February 28, 2007

	<i>Business-type Activities</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total Enterprise Funds</i>
<b>Assets:</b>			
<b><i>Current assets:</i></b>			
Cash and cash equivalents	\$ 143,732	\$ 778,107	\$ 921,839
Accounts receivable	31,345	41,111	72,456
Total current assets	175,077	819,218	994,295
<b><i>Noncurrent assets:</i></b>			
Restricted cash and cash equivalents	-	29,214	29,214
Capital assets:			
Nondepreciable capital assets	7,200	61,583	68,783
Depreciable capital assets, net	461,225	2,031,883	2,493,108
Land held for development - Industrial Park	-	248,330	248,330
Total noncurrent assets	468,425	2,371,010	2,839,435
Total assets	643,502	3,190,228	3,833,730
<b>Liabilities:</b>			
<b><i>Current liabilities:</i></b>			
Accounts payable	660	2,469	3,129
Accrued interest payable	-	19,982	19,982
Current portion of long-term debt	-	70,000	70,000
Total current liabilities	660	92,451	93,111
<b><i>Noncurrent liabilities:</i></b>			
Long-term debt	-	1,414,592	1,414,592
Total noncurrent liabilities	-	1,414,592	1,414,592
Total liabilities	660	1,507,043	1,507,703
<b>Net assets:</b>			
Invested in capital assets, net of related debt	468,425	608,874	1,077,299
Restricted for:			
Debt service	-	29,214	29,214
Unrestricted	174,417	1,045,097	1,219,514
Total net assets	\$ 642,842	\$ 1,683,185	\$ 2,326,027

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF NORTH BRANCH

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended February 28, 2007

	<i>Business-type Activities</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total Enterprise Funds</i>
<b>Operating revenues:</b>			
Charges for services	\$ 105,739	\$ 148,783	\$ 254,522
Penalties	3,908	4,531	8,439
Other	16,272	9,500	25,772
Total operating revenues	125,919	162,814	288,733
<b>Operating expenses:</b>			
Personnel	26,199	24,527	50,726
Fringe benefits	11,418	10,694	22,112
Supplies	9,983	5,344	15,327
Contracted services	4,887	8,956	13,843
Administrative expense	4,300	6,200	10,500
Registration/dues/training	502	338	840
Printing and publishing	-	139	139
Insurance	215	670	885
Utilities	2,355	9,610	11,965
Repairs and maintenance	9,955	4,195	14,150
Equipment rental	7,980	10,515	18,495
Other services and supplies	134	147	281
Depreciation	21,829	44,748	66,577
Total operating expenses	99,757	126,083	225,840
Operating income (loss)	26,162	36,731	62,893
<b>Non-operating revenues (expenses):</b>			
Interest income	5,270	39,311	44,581
Interest expense	-	(55,472)	(55,472)
Contribution from Downtown Development Authority	-	50,015	50,015
Net non-operating revenues	5,270	33,854	39,124
Net income (loss) before operating transfers	31,432	70,585	102,017
<b>Operating transfers:</b>			
Transfers to other funds	-	(30,000)	(30,000)
Total operating transfers	-	(30,000)	(30,000)
Net income (loss)	31,432	40,585	72,017
Net assets, beginning of year	611,410	1,642,600	2,254,010
Net assets, end of year	\$ 642,842	\$ 1,683,185	\$ 2,326,027

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF NORTH BRANCH

## PROPRIETARY FUNDS

### STATEMENT OF CASH FLOWS

Year Ended February 28, 2007

	<i>Business-type Activities</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total Enterprise Funds</i>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 124,489	\$ 161,509	\$ 285,998
Interfund cash receipts (payments)	-	12,145	12,145
Cash payments to employees	(26,199)	(24,527)	(50,726)
Cash payments to suppliers for goods and services	(51,069)	(55,162)	(106,231)
Net cash provided by operating activities	47,221	93,965	141,186
<b>Cash flows from non-capital financing activities:</b>			
Operating transfers out	-	(30,000)	(30,000)
Net cash used by non-capital financing activities	-	(30,000)	(30,000)
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(21,298)	(133,741)	(155,039)
Sale of assets	-	186,643	186,643
Principal payments	-	(65,000)	(65,000)
Interest paid	-	(55,472)	(55,472)
Contribution from Downtown Development Authority	-	50,015	50,015
Net cash used by capital and related financing activities	(21,298)	(17,555)	(38,853)
<b>Cash flows from investing activities:</b>			
Interest received	5,270	39,311	44,581
Net cash provided by investing activities	5,270	39,311	44,581
Net increase in cash and cash equivalents	31,193	85,721	116,914
Cash and cash equivalents, beginning of year	112,539	721,600	834,139
Cash and cash equivalents, end of year	\$ 143,732	\$ 807,321	\$ 951,053
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 26,162	\$ 36,731	\$ 62,893
Adjustments:			
Depreciation	21,829	44,748	66,577
Change in assets and liabilities:			
Accounts receivable	(1,430)	(1,305)	(2,735)
Due from other funds	-	30,000	30,000
Accounts payable	660	2,469	3,129
Due to other funds	-	(17,855)	(17,855)
Accrued interest payable	-	(823)	(823)
Net cash provided by operating activities	\$ 47,221	\$ 93,965	\$ 141,186

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF NORTH BRANCH

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## *FIDUCIARY FUND*

### **STATEMENT OF NET ASSETS**

February 28, 2007

	<i>Agency Fund</i>
<b>Assets:</b>	
Cash and cash equivalents	\$ 22,233
Total assets	22,233
<b>Liabilities:</b>	
Accounts payable	22,233
Total liabilities	22,233
<b>Net Assets:</b>	
Unrestricted	-
Total net assets	\$ -

*The accompanying notes are an integral part of these financial statements.*



***NOTES TO FINANCIAL STATEMENTS***

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS

February 28, 2007

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the Village of North Branch conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the Village's reporting entity because of their operational or financial relationship with the Village.

**Discretely Presented Component Unit** - The component unit column in the government-wide financial statements includes the financial data of the Village's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village. The component unit is described as follows:

***Downtown Development Authority*** - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority. Complete separate financial statements of the Downtown Development Authority are not prepared.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2007

### ***Government-wide Financial Statements:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net assets resulting from current year activities.

### ***Fund Financial Statements:***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2007

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The Village reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2007

### Assets, Liabilities and Equity:

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less to be cash equivalents.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after March 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Land improvements	15 years
Machinery and equipment	5-30 years
Vehicles	8 years
Distribution systems	25-50 years
Infrastructure	25 years

**Compensated Absences** – It is the Village’s policy to permit employees to accumulate earned but unused sick days once they have attained ten years of service. Employees who terminate employment with the Village and have at least ten years of service will receive a payout of ½ the amount of unused sick days at the time of termination. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual’s employment has terminated as of year end.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2007

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

### Property Taxes:

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

The 2006 taxable valuation of the Village totaled \$20,402,714, on which ad valorem taxes levied consisted of 10.5657 mills for the Village’s operating purposes and 4.2261 mills for municipal streets.

The delinquent real property taxes of the Village are purchased by Lapeer County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

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## NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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### Budgetary Information:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Clerk submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

### Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Village did not incur expenditures in excess of the amounts budgeted.

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2007

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. At year-end, the Village had \$1,913,442 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$300,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits.

At year end, the Village had no investments.

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### NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

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#### **Water Fund Reserves:**

The Village's ordinances authorizing issuance of the 2002 Water Supply System Revenue Bonds require that specific accounts be established and monies deposited as follows:

***Receiving Account*** – All water receipts are initially deposited into this account.

***Operation and Maintenance Account*** – Periodic transfers are to be made to cover upcoming administrative, operating, and maintenance expenses.

***Bond and Interest Redemption Account*** – Monthly transfers are to be made equal to one sixth (1/6) of the next interest payment due plus one twelfth (1/12) of the next principal payment due.

At February 28, 2007 the Village had these accounts established and had restricted cash as follows:

	<u>Requirements</u>		<u>Funded</u>
	<u>March 1,</u>		<u>Restricted</u>
	<u>2006</u>	<u>Deductions</u>	<u>Cash and</u>
			<u>Cash</u>
			<u>Equivalents</u>
Water Fund:			
Bond and Interest Redemption	<u>\$ 29,683</u>	<u>\$ (469)</u>	<u>\$ 29,214</u>
		<u>\$ 29,214</u>	<u>\$ 29,214</u>

# NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2007

## NOTE 5: CAPITAL ASSETS

Governmental activities, Business-type activities and Component unit capital asset activity for the year ended February 28, 2007 was as follows:

	<u>March 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>February 28, 2007</u>
<b>Governmental activities:</b>				
<i>Nondepreciable capital assets:</i>				
Land	\$ 66,808	\$ -	\$ -	\$ 66,808
Construction in progress	1,512	-	(1,512)	-
	<u>68,320</u>	<u>-</u>	<u>(1,512)</u>	<u>66,808</u>
<i>Depreciable capital assets:</i>				
Buildings and improvements	121,770	15,465	-	137,235
Machinery and equipment	620,732	1,300	(15,291)	606,741
Vehicles	90,737	23,211	(20,547)	93,401
Infrastructure	46,386	94,530	-	140,916
Total depreciable capital assets	<u>879,625</u>	<u>134,506</u>	<u>(35,838)</u>	<u>978,293</u>
Accumulated depreciation	<u>(370,678)</u>	<u>(43,832)</u>	<u>28,496</u>	<u>(386,014)</u>
Depreciable capital assets, net	<u>508,947</u>	<u>90,674</u>	<u>(7,342)</u>	<u>592,279</u>
Governmental activities, capital assets, net	<u>\$ 577,267</u>	<u>\$ 90,674</u>	<u>\$ (8,854)</u>	<u>\$ 659,087</u>
<b>Business-type activities:</b>				
<i>Nondepreciable capital assets:</i>				
Land	\$ 68,783	\$ -	\$ -	\$ 68,783
<i>Depreciable capital assets:</i>				
Land improvements	12,753	-	-	12,753
Machinery and equipment	66,607	-	-	66,607
Sewer system	756,387	21,298	-	777,685
Water system	2,196,346	133,743	-	2,330,089
Total depreciable capital assets	<u>3,032,093</u>	<u>155,041</u>	<u>-</u>	<u>3,187,134</u>
Accumulated depreciation	<u>(627,448)</u>	<u>(66,578)</u>	<u>-</u>	<u>(694,026)</u>
Depreciable capital assets, net	<u>2,404,645</u>	<u>88,463</u>	<u>-</u>	<u>2,493,108</u>
Business-type activities, capital assets, net	<u>\$ 2,473,428</u>	<u>\$ 88,463</u>	<u>\$ -</u>	<u>\$ 2,561,891</u>
<b>Component unit - DDA:</b>				
<i>Nondepreciable capital assets:</i>				
Land	\$ 17,500	\$ -	\$ -	\$ 17,500



## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2007

Depreciation expense was charged to functions as follows:

**Governmental activities:**

General government	\$ 1,178
Public safety	7,363
Public works	33,891
Recreation and culture	<u>1,400</u>
Total governmental activities	<u>\$ 43,832</u>

**Business-type activities:**

Sewer	\$ 21,829
Water	<u>44,749</u>
Total business-type activities	<u>\$ 66,578</u>

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### NOTE 6: LAND HELD FOR DEVELOPMENT – INDUSTRIAL PARK

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The account shown in the Water Fund with a balance of \$248,330 represents the Water Fund's balance of costs invested in improvements to a Village Industrial Park. These improvements are not being depreciated because the lots are being held for sale.

Proceeds from the sale of lots net of related costs were \$186,643 for the year ended February 28, 2007.

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### NOTE 7: DEFERRED REVENUE

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Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At the end of the current fiscal year, the Village had no deferred revenue.

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### NOTE 8: LONG-TERM LIABILITIES

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The Village may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term liabilities include compensated absences.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2007

Long-term liabilities at February 28, 2007 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<b><u>Business-type Activities:</u></b>					
1995 Issue - Lapeer County Water System General Obligation Bonds	11/1/06-11/1/19	5.3-6.1%	\$20,000-50,000	\$ 660,000	\$ 480,000
2002 Issue - Water System Revenue Bonds	10/1/06-10/1/23	2.5%	45,000-74,592	1,144,592	1,004,592

The following is a summary of long-term liabilities transactions for the year ended February 28, 2007:

	<u>March 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>February 28, 2007</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Compensated Absences	\$ 3,492	\$ 625	\$ -	\$ 4,117	\$ -
Total governmental activities - long-term liabilities	<u>\$ 3,492</u>	<u>\$ 625</u>	<u>\$ -</u>	<u>\$ 4,117</u>	<u>\$ -</u>
<b>Business-type activities:</b>					
<i>General Obligation Bonds:</i>					
1995 Issue	\$ 500,000	\$ -	\$ (20,000)	\$ 480,000	\$ 25,000
<i>Revenue Bonds:</i>					
2002 Issue	<u>1,049,592</u>	<u>-</u>	<u>(45,000)</u>	<u>1,004,592</u>	<u>45,000</u>
Total business-type activities - long-term liabilities	<u>\$ 1,549,592</u>	<u>\$ -</u>	<u>\$ (65,000)</u>	<u>\$ 1,484,592</u>	<u>\$ 70,000</u>

Annual debt service requirements to maturity for the above bond obligations are as follows:

<u>Year Ended</u>	<u>Business-type Activities</u>		
<u>February 28,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 70,000	\$ 53,669	\$ 123,669
2009	70,000	51,195	123,669
2010	75,000	48,682	121,195
2011	80,000	46,006	123,682
2012	85,000	43,016	126,006
2013-2017	490,000	162,094	652,094
2018-2022	470,000	60,943	530,943
2023-2024	<u>144,592</u>	<u>5,478</u>	<u>150,070</u>
	<u>\$ 1,484,592</u>	<u>\$ 471,083</u>	<u>\$ 1,955,675</u>

# VILLAGE OF NORTH BRANCH

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2007

### NOTE 9: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Component Unit</i>
<b>Receivables:</b>			
Property taxes	\$ -	\$ -	\$ 29,849
Accounts	36,241	72,456	-
Intergovernmental	45,723	-	-
Total receivables	<u>\$ 81,964</u>	<u>\$ 72,456</u>	<u>\$ 29,849</u>
<b>Accounts payable and accrued expenses:</b>			
Accounts	\$ 8,621	\$ 3,129	\$ -
Accrued interest payable	-	19,982	-
Total accounts payable and accrued expenses	<u>\$ 8,621</u>	<u>\$ 23,111</u>	<u>\$ -</u>

### NOTE 10: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at February 28, 2007 is as follows:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
Municipal Street Fund	Major Street Fund	\$ 2,847
Municipal Street Fund	Local Street Fund	1,360
		<u>\$ 4,207</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>	<i>Amount</i>
General Fund	Museum Fund	\$ 340
Water Fund	General Fund	30,000
	Total	<u>\$ 30,340</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2007

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### NOTE 11: RISK MANAGEMENT

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The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation).

The Village participates in the Michigan Municipal Liability and Property Pool (the "Pool") for workers' compensation and property risk. The Pool is a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium for its insurance coverage. The Pool is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies.

Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in the past three fiscal years.

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### NOTE 12: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### **Defined Contribution Pension Plan**

The Village has a defined contribution pension plan administered by ICMA Retirement Corporation. All full-time employees as well as the Clerk and Treasurer are covered under the plan. The Village contributes 7% of each covered employee's earnings to the plan. The Village's contribution for the year ended February 28, 2007 was \$18,664, which was entirely paid during the year.

#### **Post Employment Benefits:**

The Village currently does not provide post employment benefits.

#### **Deferred Compensation Plan:**

The Village offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years.

The Village adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Village has placed all Deferred Compensation Plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the Village's financial statements.

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### NOTE 13: CONTRACT WITH DDA FOR WATER BOND PAYMENTS

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The Village and the Village DDA entered into an agreement March 20, 2003 that states that the DDA shall pay to, or reimburse, the Village each year for payments the Village makes to the County on the 1995 Water Revenue Bonds. In accordance with the agreement, for the year ended February 28, 2007, the DDA paid \$50,015 to the Village.

***REQUIRED SUPPLEMENTAL INFORMATION***

# VILLAGE OF NORTH BRANCH

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2007

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 164,576	\$ 164,576	\$ 178,935	\$ 14,359
Licenses and permits	5,000	5,000	7,536	2,536
State grants	110,900	110,900	113,057	2,157
Contributions from other units	61,000	61,000	54,933	(6,067)
Charges for services	63,425	63,425	56,603	(6,822)
Fines and forfeits	1,500	1,500	870	(630)
Interest and rents	4,000	4,000	13,347	9,347
Other revenue	57,370	57,370	10,987	(46,383)
Total revenues	467,771	467,771	436,268	(31,503)
<b>Expenditures:</b>				
Current				
General government	114,980	92,297	92,024	(273)
Public safety	171,225	171,535	170,205	(1,330)
Public works	112,411	128,469	128,229	(240)
Community and economic development	2,995	1,580	1,119	(461)
Recreation and culture	5,540	3,330	2,555	(775)
Other	24,000	32,300	31,992	(308)
Capital outlay	36,500	37,640	37,514	(126)
Total expenditures	467,651	467,151	463,638	(3,513)
Excess (deficiency) of revenues over expenditures	120	620	(27,370)	(27,990)
<b>Other financing sources (uses):</b>				
Transfers from other funds	-	30,000	30,000	-
Transfers to other funds	(120)	(620)	(340)	(280)
Total other financing sources (uses)	(120)	29,380	29,660	(280)
Net change in fund balance	-	30,000	2,290	(27,710)
Fund balance, beginning of year	315,011	315,011	315,011	-
Fund balance, end of year	\$ 315,011	\$ 345,011	\$ 317,301	\$ (27,710)

***OTHER SUPPLEMENTAL INFORMATION***

# VILLAGE OF NORTH BRANCH

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended February 28, 2007

#### Revenues:

##### *Current Taxes:*

Property taxes	\$ 178,651
Fees, penalties and interest on taxes	284
	<u>178,935</u>

##### *Licenses and permits:*

Business licenses and permits	60
CATV franchise fees	7,476
	<u>7,536</u>

##### *State Grants:*

Liquor license fees	1,018
State revenue sharing - sales tax	107,232
Police	4,807
	<u>113,057</u>

##### *Contribution from other units:*

Downtown Development Authority	21,913
Reimbursement from school district - Cops in schools	33,020
	<u>54,933</u>

##### *Charges for services:*

Appeals fees	1,450
Other	191
Charges to other funds	54,962
	<u>56,603</u>

##### *Fines and forfeits:*

Other	870
	<u>870</u>

##### *Interest and rents:*

Interest	<u>13,347</u>
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##### *Other Revenue:*

Sale of capital assets	4,000
Reimbursements	4,881
Other	2,106
	<u>10,987</u>
Total revenues	<u>436,268</u>

##### **Other Financing Sources:**

Transfers from other funds	<u>30,000</u>
Total revenues and other financing sources	<u>\$ 466,268</u>



# VILLAGE OF NORTH BRANCH

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended February 28, 2007

#### Expenditures:

##### *General Government:*

###### *Council:*

Personnel	\$ 6,360
Fringe benefits	754
Contracted services	188
Transportation	103
Printing and publications	290
Other	2,867
	<u>10,562</u>

###### *President:*

Personnel	4,759
Fringe benefits	364
	<u>5,123</u>

###### *Clerk:*

Personnel	33,426
Fringe benefits	4,661
Supplies	2,359
Telephone	2,118
Transportation	466
Registration/dues/training	865
Insurance	5
Repairs and maintenance	2,861
Other	3,485
	<u>50,246</u>

###### *Audit:*

Contracted services	<u>4,485</u>
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###### *Treasurer:*

Personnel	7,408
Fringe benefits	1,081
Supplies	445
Transportation	13
Printing and publications	303
Other	505
	<u>9,755</u>

###### *Hall and Grounds:*

Personnel	1,591
Fringe benefits	134
Supplies	697
Contracted services	349
Utilities	4,778
Repairs and maintenance	1,691
	<u>9,240</u>

# VILLAGE OF NORTH BRANCH

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 28, 2007

**Expenditures, continued:**

***General Government, continued:***

*Attorney:*

Contracted services	2,613
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Total general government	92,024
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***Public Safety:***

*Police:*

Personnel	119,971
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Fringe benefits	28,498
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Supplies	440
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Telephone	2,225
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Transportation	4,008
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Registration/dues/training	3,155
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Insurance	3,125
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Repairs and maintenance	5,021
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Other	1,692
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168,135
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***Building Inspection:***

Contracted services	2,070
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Total public safety	170,205
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***Public Works:***

***Department of Public Works:***

Personnel	47,043
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Fringe benefits	20,967
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Supplies	11,627
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Telephone	1,462
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Transportation	6,195
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Registration/dues/training	195
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Insurance	849
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Utilities	5,316
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Repairs and maintenance	7,670
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Other	106
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101,430
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***Street Lighting:***

Utilities	26,799
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Total public works	128,229
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# VILLAGE OF NORTH BRANCH

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 28, 2007

**Expenditures, continued:**

***Community and Economic Development:***

***Planning:***

Personnel	760
Fringe benefits	63
Supplies	50
Transportation	8
Registration/dues/training	75
Printing and publications	163
	<u>1,119</u>

***Recreation and Culture:***

***Parks and Recreation:***

Personnel	1,452
Fringe benefits	596
Supplies	67
Insurance	65
Repairs and maintenance	375
	<u>2,555</u>

***Other:***

Insurance	21,716
Payroll expenses	10,276
	<u>31,992</u>

***Capital Outlay:***

General government	14,303
Public safety	23,211
	<u>37,514</u>

Total expenditures	<u>463,638</u>
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**Other Financing Uses:**

Transfers to other funds	<u>340</u>
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Total expenditures and other financing uses	<u>\$ 463,978</u>
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# VILLAGE OF NORTH BRANCH

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

February 28, 2007

	<i>Special Revenue Funds</i>					<i>Total Nonmajor Governmental Funds</i>
	<i>Museum Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Municipal Street Fund</i>	<i>Garbage Collection Fund</i>	
<b>Assets:</b>						
Cash and cash equivalents	\$ 12,485	\$162,433	\$ 89,898	\$ 263,170	\$ 18,522	\$ 546,508
Accounts receivable	-	-	-	-	13,905	13,905
Due from other governmental units	-	9,958	3,332	-	-	13,290
Due from other funds	-	-	-	4,207	-	4,207
Total assets	<u>\$ 12,485</u>	<u>\$172,391</u>	<u>\$ 93,230</u>	<u>\$ 267,377</u>	<u>\$ 32,427</u>	<u>\$ 577,910</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 4,206	\$ -	\$ 4,206
Due to other funds	-	2,847	1,360	-	-	4,207
Total liabilities	-	2,847	1,360	4,206	-	8,413
<b>Fund balances:</b>						
Unreserved:						
Special revenue funds	<u>12,485</u>	<u>169,544</u>	<u>91,870</u>	<u>263,171</u>	<u>32,427</u>	<u>569,497</u>
Total fund balances	<u>12,485</u>	<u>169,544</u>	<u>91,870</u>	<u>263,171</u>	<u>32,427</u>	<u>569,497</u>
Total liabilities and fund balances	<u>\$ 12,485</u>	<u>\$172,391</u>	<u>\$ 93,230</u>	<u>\$ 267,377</u>	<u>\$ 32,427</u>	<u>\$ 577,910</u>

# VILLAGE OF NORTH BRANCH

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES Year Ended February 28, 2007

	<i>Special Revenue Funds</i>					<i>Total Nonmajor Governmental Funds</i>
	<i>Museum Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Municipal Street Fund</i>	<i>Garbage Collection Fund</i>	
<b>Revenues:</b>						
Property taxes	\$ -	\$ -	\$ -	\$ 71,456	\$ -	\$ 71,456
State grants	-	61,880	21,836	-	-	83,716
Contributions from other units	2,000	-	-	-	-	2,000
Charges for services	-	-	-	-	51,453	51,453
Interest and rents	536	8,277	3,438	8,757	766	21,774
Other revenue	296	-	-	-	-	296
Total revenues	<u>2,832</u>	<u>70,157</u>	<u>25,274</u>	<u>80,213</u>	<u>52,219</u>	<u>230,695</u>
<b>Expenditures:</b>						
Current						
Public works	-	27,695	10,403	10,234	48,124	96,456
Recreation and culture	944	-	-	-	-	944
Capital outlay	-	90,976	3,553	1,150	-	95,679
Total expenditures	<u>944</u>	<u>118,671</u>	<u>13,956</u>	<u>11,384</u>	<u>48,124</u>	<u>193,079</u>
Excess (deficiency) of revenues over expenditures	<u>1,888</u>	<u>(48,514)</u>	<u>11,318</u>	<u>68,829</u>	<u>4,095</u>	<u>37,616</u>
<b>Other financing sources:</b>						
Transfers in	<u>340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>340</u>
Total other financing sources	<u>340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>340</u>
Net change in fund balance	2,228	(48,514)	11,318	68,829	4,095	37,956
Fund balances, beginning of year	<u>10,257</u>	<u>218,058</u>	<u>80,552</u>	<u>194,342</u>	<u>28,332</u>	<u>531,541</u>
Fund balances, end of year	<u>\$ 12,485</u>	<u>\$ 169,544</u>	<u>\$ 91,870</u>	<u>\$ 263,171</u>	<u>\$ 32,427</u>	<u>\$ 569,497</u>

# VILLAGE OF NORTH BRANCH

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## *COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY*

### **BALANCE SHEET**

February 28, 2007

**Assets:**

Cash and cash equivalents	\$	118,809
Taxes receivable		<u>29,849</u>

Total assets	\$	<u><u>148,658</u></u>
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**Fund Balance:**

Unreserved		<u>148,658</u>
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Total fund balance	\$	<u><u>148,658</u></u>
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# VILLAGE OF NORTH BRANCH

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## COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

Year Ended February 28, 2007

**Revenues:**

Property taxes	\$ 97,335
Interest and rents	3,640
Other revenue	<u>3,623</u>
Total revenues	<u>104,598</u>

**Expenditures:**

Current	
Community and economic development	<u>143,788</u>
Total expenditures	<u>143,788</u>
Net change in fund balance	(39,190)
Fund balance, beginning of year	<u>187,848</u>
Fund balance, end of year	<u><u>\$ 148,658</u></u>

# VILLAGE OF NORTH BRANCH

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## FIDUCIARY FUND – AGENCY FUND

### STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended February 28, 2007

	<i>March 1, 2006</i>	<i>Additions</i>	<i>Deductions</i>	<i>February 28, 2007</i>
<i>Payroll Fund</i>				
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 22,691</u>	<u>\$ 373,603</u>	<u>\$ 374,061</u>	<u>\$ 22,233</u>
<b>Liabilities:</b>				
Accounts payable	<u>\$ 22,691</u>	<u>\$ 373,603</u>	<u>\$ 374,061</u>	<u>\$ 22,233</u>



# VILLAGE OF NORTH BRANCH

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

February 28, 2007

#### 1995 Lapeer County Water System Bonds

Issue dated April 1, 1995 in the amount of	\$	660,000
Less: Principal paid in prior years		(160,000)
Principal paid in current year		<u>(20,000)</u>
Balance payable at February 28, 2007	\$	<u>480,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due May 1</i>	<i>Interest due November 1</i>	<i>Principal due November 1</i>	<i>Total Annual Requirement</i>
2008	5.40%	\$ 14,277	\$ 14,278	\$ 25,000	\$ 53,555
2009	5.55%	13,602	13,603	25,000	52,205
2010	5.70%	12,909	12,909	25,000	50,818
2011	5.80%	12,196	12,196	30,000	54,392
2012	5.90%	11,326	11,326	35,000	57,652
2013	6.00%	10,294	10,294	35,000	55,588
2014	6.00%	9,244	9,244	35,000	53,488
2015	6.00%	8,194	8,194	40,000	56,388
2016	6.05%	6,994	6,994	40,000	53,988
2017	6.05%	5,784	5,784	45,000	56,568
2018	6.10%	4,422	4,423	45,000	53,845
2019	6.10%	3,050	3,050	50,000	56,100
2020	6.10%	1,525	1,525	50,000	53,050
		<u>\$ 113,817</u>	<u>\$ 113,820</u>	<u>\$ 480,000</u>	<u>\$ 707,637</u>

# VILLAGE OF NORTH BRANCH

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

February 28, 2007

#### 2002 Water Supply System Revenue Bonds

Issue dated September 26, 2002 in the amount of	\$	1,144,592
Less:		
Principal paid in prior years		(95,000)
Principal paid in current year		<u>(45,000)</u>
Balance payable at February 28, 2007	\$	<u>1,004,592</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due April 1</i>	<i>Interest due October 1</i>	<i>Principal due October 1</i>	<i>Total Annual Requirement</i>
2008	2.50%	\$ 12,557	\$ 12,557	\$ 45,000	\$ 70,114
2009	2.50%	11,995	11,995	45,000	68,990
2010	2.50%	11,432	11,432	50,000	72,864
2011	2.50%	10,807	10,807	50,000	71,614
2012	2.50%	10,182	10,182	50,000	70,364
2013	2.50%	9,557	9,557	55,000	74,114
2014	2.50%	8,870	8,870	60,000	77,740
2015	2.50%	8,120	8,120	60,000	76,240
2016	2.50%	7,370	7,370	60,000	74,740
2017	2.50%	6,620	6,620	60,000	73,240
2018	2.50%	5,870	5,870	60,000	71,740
2019	2.50%	5,120	5,120	65,000	75,240
2020	2.50%	4,307	4,307	65,000	73,614
2021	2.50%	3,495	3,495	65,000	71,990
2022	2.50%	2,682	2,682	70,000	75,364
2023	2.50%	1,807	1,807	70,000	73,614
2024	2.50%	932	932	74,592	76,456
		<u>\$ 121,723</u>	<u>\$ 121,723</u>	<u>\$ 1,004,592</u>	<u>\$ 1,248,038</u>